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8 July 1952

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Copy No. 53

CURRENT INTELLIGENCE BULLETIN



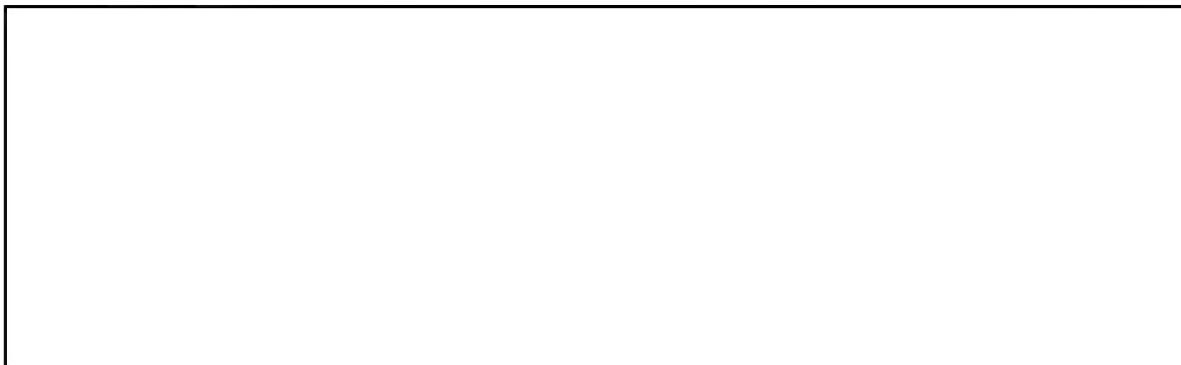
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DOCUMENT NO. 47
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 17 Dec 79 REVIEWER: A small rectangular black-outlined box used for redacting sensitive information.

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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State Department review completed

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FAR EAST

1. Moslem revolt in northwestern China reported:

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[redacted] who reached Hong Kong from China's northwestern Kansu Province report that 10,000 Moslems rebelled about two months ago. The uprising was crushed in approximately four weeks.

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The American Consulate General reports that according to a local Moslem contact, the rebels are merely inactive now, and were not completely defeated by the Chinese Communists.

Comment: This is the first confirmation of previous reports in the Hong Kong press that there is unrest among the Moslems of northwestern China. [redacted]

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The difficult terrain of northwestern China is favorable for guerrilla operations. This area, however, is almost inaccessible, and insurgents could expect little or no outside assistance.

2. Burmese seeking to repatriate Chinese Nationalists:

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[redacted] An official of the Burmese Foreign Office informed the US Embassy in Rangoon that Defense Minister Ba Swe, while expecting that insurgency in Burma will be largely eliminated by fall, fears that public pressure will then force him to attack the Chinese Nationalists in Kengtung. Ba Swe says he is anxious to avoid such action and is willing to repatriate the Nationalist troops through Rangoon.

The Foreign Office official asked for American aid in arranging a mission to Formosa to discuss the matter.

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Comment: While the Burmese armed forces have recently achieved some local successes against the insurgent Communists, there are no indications of a victory by the end of this summer.

The Burmese Government has rejected all previous proposals to repatriate the Chinese Nationalists. Reversal of this policy probably resulted from a realization that a major offensive against the Nationalists in Kengtung to assuage public opinion would leave the way open for successful insurgent operations in central Burma.

NEAR EAST - AFRICA

3. Satellites offer to purchase Iranian oil reported:

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The Iranian Ambassador in Moscow has informed [redacted] that Czechoslovakia, Poland, and Hungary have offered to buy up to 3,000,000 tons of oil from Iran, and that the Czech and Polish Governments have already deposited dollars in New York to cover the transaction. The Iranian Government was informed that the necessary transportation "would be taken care of."

The Tehran government allegedly has stated that it wants time to think the matter over as it does not wish to "injure old established customers."

Comment: [redacted]

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[redacted]
a Polish-Iranian agreement including oil is pending, but Czech negotiations appear to have stalled over the problem of transportation. Hungary reportedly has signed an agreement to purchase Iranian oil, none of which is known to have been shipped yet.

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[redacted]

4. New oil field reported near Tehran:

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[REDACTED] the oil drilling operations of the Iranian Oil Company at Qum in north-central Iran, ninety miles south of Tehran, [REDACTED]

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struck what appears to be a sizeable deposit of oil on 2 July. He says that all signs indicate that the strike is in or close to new oil fields, the extent of which cannot yet be determined.

Comment: Discovery of oil by the Iranian Oil Company would furnish Prime Minister Mossadeq with a lever in his dispute with the Anglo-Iranian Oil Company.

Because of Qum's location, such a discovery would certainly interest the Russians, both as a possible future source of oil and as a means of penetrating the Iranian economy.

EASTERN EUROPE

5. Yugoslavs reported ready for military talks with Turks and Greeks:

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[REDACTED] The Yugoslav Government is ready to engage in military talks with Turkey and presumably Greece, if those countries commit themselves to a strong defense of Thrace. The Turkish

Foreign Minister says he was so informed during the last week in June by the Yugoslav Ambassador. The Foreign Minister stated that he was doing all in his power to impress Turkey's allies with the importance of defending Thrace.

Comment: A military planning agreement with Greece and Turkey would be of considerable advantage to Yugoslavia, but the Yugoslavs have not hitherto shown a willingness to begin such talks.

While Greece and Turkey want to provide for the defense of Thrace, a difficult military problem, the latter is proceeding cautiously, and obviously desires a NATO commitment promising additional sea and air support before it negotiates with Yugoslavia.

WESTERN EUROPE

6. Plans for stepped-up Sovietization of East Germany partially confirmed:

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[Redacted]

The Socialist Unity Party congress, scheduled for 9 to 12 July, reportedly will move to introduce the Kolkhoz system in agriculture, to begin a new party purge, and to replace the five state governments with 14 new districts.

Party leaders allegedly plan also to approve the "eventual" resignation of East German Premier Otto Grotewohl, probably on grounds of ill health.

Comment: Party leaders had earlier been reported to be planning action at the July congress to strengthen their control over East Germany. Gradual curtailment of the functions and authority of the state governments has already begun, and American observers in Frankfurt believe these governments may ultimately be eliminated. This, however, is not expected to occur before the ratification of the Allied-West German contractual agreement.

The probable eclipse of Grotewohl, ostensibly on grounds of ill health, has been previously predicted.

7. Swiss offer East German Government de facto recognition:

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[Redacted]

Switzerland has offered the East German Government de facto recognition, through the exchange of trade missions, instead of the formal recognition it demands in return for concessions on nationalized Swiss property. The Swiss have assured Britain they will not grant de jure recognition.

France intends to support American protests against any such action, but the British Foreign Office states it will take no action as long as Switzerland withholds full recognition.

Comment: East Germany will probably accept the de facto recognition, which would be a substantial political victory, since no other Western nation has yet made even this concession. Switzerland exchanged Ministers with the West German Federal Republic earlier this year.

8. Britain opposes newest plan for European federation:

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Commenting on the French proposal that the Schuman Plan countries create a supranational political authority, a British Foreign Office official stated that, while Britain would have to assent to the development of a "new power" across the channel, acceptance of a European federation would be a reversal of traditional British policy.

Great Britain intends to comment that such a development is premature and to urge the acceptance of Foreign Secretary Eden's plan for bringing supranational institutions within the "loose" framework of the Council of Europe.

Comment: Although France desires British participation in European unity plans, Foreign Minister Schuman has evidently decided to restrict the task of establishing a political authority to the Schuman Plan countries. In this way France would block discussion of the participation of other countries in the coal-steel and defense communities and avoid delaying the implementation of these two bodies.

9. France denies plans for shipment of steel rails to East Germany:

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The French Foreign Office has denied reports that East Germany is purchasing 80,000 tons of steel rails from the Schneider-Creusot company. This company, it states, does not manufacture rails and has negotiated for neither direct nor indirect delivery of rails to the German Democratic Republic.

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The Foreign Office knows of no such negotiations by any French company, and states that it is "fully cognizant" of its obligation to consult COCOM before granting an export license for such material.

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